

## R E M A R K S

Claims **1-42 and 53 - 56** are pending in the present application.

Claims **1, 12, 26, 31, 34, 38-42 and 53** are independent.

**Section 101 Rejections**

Claims **1 - 27, 29, 31 - 37 and 53 - 56** have been rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Applicants respectfully traverse the Examiner's Section 101 rejection.

**1. Improper basis for a Section 101 rejection**

It is Applicants' understanding that the basis for rejection is a claim must recite computer structure in order to be considered statutory.

Applicants disagree with the conclusion that a method claim is non-statutory if that claim does not recite "sufficient computer structure". Applicants are unaware of any statute or court decision supporting these assertions. Moreover, the MPEP does not purport to impose such a requirement either. Accordingly, the rejection should be withdrawn. If this rejection is maintained, Applicants respectfully request an appropriate and explicit basis for rejection.

**2. *In re Toma* cannot be used to support the Examiner's rejection under Section 101.**

On page 3 of the Office Action the Examiner cites *In re Toma*, 575 F.2d 872, 197 U.S.P.Q. 852 (C.C.P.A. 1978) as support for the present 'technological arts' rejection. However, that case cannot be used to support the Examiner's analysis.

The Court in *Toma* in fact reversed the rejection of the claims under Section 101. The claims were held to be not outside of the technological arts.

The Court in *Toma* furthermore held that the claims were not directed to merely solving a mathematical algorithm, which would have rendered them nonstatutory. *In re Toma*, 575 F.2d at 877. Note that the C.C.P.A. did not say this was the only way a claim could satisfy Section 101, merely that this particular way did satisfy Section 101.

The Court in *Toma* furthermore held that the examiner quoted language from 'mental steps' rejections, which was inappropriate and "was not intended to form a basis for a new § 101 rejection". *Id.*

Finally, the C.C.P.A. in *Toma* used the Freeman test for the presence of an algorithm. This test and this analysis were subsequently disapproved of by the Federal Circuit as a way to determine the presence of statutory subject matter. See, e.g., *Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1374, 47 U.S.P.Q.2D (BNA) 1596, 1601 (Fed. Cir. 1998), *cert. denied*, 142 L. Ed. 2d 704, 119 S. Ct. 851 (1999) ("after Diehr and Chakrabarty, the Freeman-Walter-Abele test has little, if any, applicability to determining the presence of statutory subject matter."); *AT & T Corp. v. Excel Communications Inc.*, 172 F.3d 1352, 1359, 50 USPQ2d 1447 (Fed. Cir. 1999) ("our recent State Street decision questioned the continuing viability of the Freeman-Walter-Abele test").

**3. The Correct Section 101 Analysis was not Performed.**

The Federal Circuit has made it clear that there is **no requirement for any physical limitations of any kind** in a method claim. *AT&T Corp. v. Excel Communications, Inc.*, 50 USPQ2d 1447, 1452 (Fed. Cir. 1999). The **only issue** is whether the claimed invention produces

a useful, concrete, tangible result. The claim in that case was held statutory because it produced "a useful, concrete, tangible result":

The PIC indicator represents information about the call recipient's PIC, **a useful, non-abstract result that facilitates differential billing of long-distance calls made by an IXC's subscriber**. Because the claimed process applies the Boolean principle to produce a useful, concrete, tangible result without pre-empting other uses of the mathematical principle, on its face the claimed process comfortably falls within the scope of § 101. *AT&T Corp. v. Excel Communications, Inc.*, 50 USPQ2d 1447, 1452 (Fed. Cir. 1999) (emphasis added)

Applicants note that "[w]hat is determinative is not how the computer performs the process, but what the computer does to **achieve a practical application**." See MPEP 2106 (IV)(B)(2)(b)(ii) "Computer-Related Processes Limited to a Practical Application in the Technological Arts" (page 2100-15 of MPEP 7th Edition, Rev. 1, Feb. 2000).

"A claim is limited to a practical application when the method, as claimed, produces a **concrete, tangible and useful result**; i.e., the method recites a step or act of producing something that is **concrete, tangible and useful**."

Likewise, a machine claim is statutory when the machine, as claimed, produces a **concrete, tangible and useful result**."

Similarly, the presently pending claims produce the useful, concrete and tangible results of, e.g., completing a sale of a product (claim 1) or setting a final sales price (claim 12).

It is a misunderstanding of Federal Circuit case law to contend that process claims lacking physical limitations set forth in the patent are not patentable subject matter. *AT & T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 50 USPQ2d 1447, 1452 (Fed. Cir. 1999). This type of physical limitations analysis is of little value because "the mere fact that a claimed invention involves inputting numbers, calculating numbers, outputting numbers, and storing numbers, in and of itself, would not render it nonstatutory subject matter, unless, of course, its operation does not produce a 'useful, concrete and tangible result.'" *AT & T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 50 USPQ2d 1447, 1452 (Fed. Cir. 1999).

### **Section 102 Rejections**

Claims 1 – 3, 5, 12, 13, 15 – 19, 24 – 27, 31 – 42 and 53 – 56 stand rejected as anticipated by U.S. Patent No. 5,794,207 to Walker et al. Applicants respectfully traverse the Examiner's Section 102 rejection.

The arguments immediately below were first presented in Applicants' prior response. Applicants then present below their response to the Examiner's response.

Independent claims 1, 12, 26, 31, 34, 38 – 42 and 53.

Independent claims 1 and 38 recite "conveying a product to a customer before an associated transaction term has been finalized".

Independent claims 12 and 39 recite "conveying a product to a customer before a final sale price is determined".

Independent claims **26 and 40** recite “authorizing conveyance of a product to a customer before a final sale price is determined”.

Independent claim **53** recites “a customer who takes possession of a product from a seller before a price for the product has been finalized”

Independent claims **31 and 41** recite “conveying the product to the customer” with “non-final sale price term”, and subsequently “completing the purchase transaction using the second override price as the sale price term”.

Independent claims **34 and 42** recite acquiring the product subject to a default value of a transaction term, and subsequently “completing the purchase transaction using the first override value for the transaction term”.

The Walker system does not disclose or suggest conveying a product to a customer before an associated transaction term has been finalized. (independent claims **1 and 38**)

Similarly, the Walker system does not disclose or suggest conveying or authorizing conveyance of a product to a customer before a final sale price is determined, or before a price for the product has been finalized. (independent claims **12, 26, 39, 40 and 53**)

Similarly, the Walker system does not disclose or suggest conveying a product to a customer before a sale price term is used. (independent claims **31 and 41**)

Similarly, the Walker system does not disclose or suggest acquiring a product subject to a default value of a transaction term, and subsequently completing the purchase transaction using a first override value for the transaction term. (independent claims **34 and 42**)

In Walker, the terms of the sale are finalized, and only then is the product conveyed to the customer. In other words, in Walker a product is conveyed after a sale price is determined. In fact, a stated advantage of the Walker system is that a seller knows before an offer is even accepted that the buyer is ready and willing to pay the specific price the buyer offers. *See, e.g., Col. 8, line 66 – Col. 9, line 4* (“Before communicating the CPO to potential sellers, the central controller ... may require that the buyer provide a credit card number and may also ensure that the buyer has sufficient credit available to cover the purchase price specified in the CPO ...”); *Col. 10, lines 31 – 39; Col. 11, lines 45 – 51* (“The present invention receives conditional purchase offers from buyers, makes them available for viewing by potential sellers, and allows sellers to bind them. Thus, a buyer is able to communicate his commitment to follow through on an offer to a seller, giving the seller confidence that if he can produce the goods, the buyer has the ready capacity to pay.”)

Specifically, in Walker, a CPO specifies the price a customer is willing to pay for a good. *See, e.g., Col. 9, line 4* (“the purchase price specified in the CPO”); *Col. 13, line 24* (“CPO database 265 tracks all CPOs 100 with fields such as ... price ...”); *Col. 17, lines 53 – 55* (“CPO database 265 contains a record for each CPO 100, and includes fields such as ... price ...”); *Col. 20, line 24* (“the price of CPO 100”); *Col. 22, lines 23 – 24* (“the offered price of CPO 100 to be paid upon binding”); *Col. 23, lines 27 – 29* (“the terms of CPO 100 such as ... price ... .”); *Col. 23, lines 58 – 59* (“skipping any CPO 100 with a lower price”); *FIG. 5, step 550 and accompanying text beginning at Col. 16, line 49* (“the buyer enters a price” for the CPO); *FIG. 6, step 600 and accompanying text beginning at Col. 17, line 27* (“the stated price of the CPO”); *claims 1, 12, 23, 34* (“a conditional purchase offer which includes an offer price”).

The price of the CPO becomes the final sale price when a seller accepts the CPO. The Walker patent also describes the CPO as having been “bound” when it is accepted, so the buyer is committed to paying the price he specifies in the CPO. *See, e.g., Col. 15, lines 51 – 55* (“Periodic maintenance is performed ... to ensure that ... the buyer has sufficient credit available to pay a seller who elects to bind CPO 100.”); *Col. 17, lines 27 – 30* (“CPO 100 is ... checked to see that sufficient credit is available to cover the stated price of CPO 100”).

When the CPO is accepted (and thus when the final sales price is established), the goods have not yet been conveyed to the customer. In fact, after a price is specified by a buyer and accepted by a seller, the central controller authenticates the seller’s capacity to deliver the goods the buyer desires (i.e. before the goods are conveyed). *See, e.g., Col. 9, lines 17 – 22* (“If, after reviewing a particular CPO, a potential seller wishes to accept the CPO, the seller communicates his intent to the central controller. The central controller then ... authenticates the identity of the seller and his capacity to deliver the goods sought by the buyer.”); *Col. 19, lines 14 – 21* (“At step 1000, the potential seller selects CPO 100 which he would like to bind ... Central controller 200 then timestamps seller response 110 and authenticates the identity of the seller, as well as verifying his probable capacity to deliver the goods.”); *Col. 19, lines 36 – 37* (“If necessary, central controller 200 may verify that the seller can provide the specific good requested.”).

Clearly, the goods cannot have been conveyed at this time, but only after this time. Accordingly, Walker does not disclose or suggest all of the limitations of any independent claim. For at least the same reasons, Walker does not disclose or suggest all of the limitations of any dependent claim.

#### Examiner's Response to Arguments

In response to the arguments above, the Examiner on pages 8 - 9 of the Office Action asserts that in Walker, when the seller transfers goods to the buyer:

"there is only a conditional purchase offer. The final price or terms may change in step 1230. The final price is not finalized until step 1240 'transaction complete' ". (emphasis in original)

A reading of the entirety of Walker clearly shows that this interpretation is untenable. The fact that an offer in Walker is named a 'conditional purchase offer' does not mean that any terms are subject to change, as the Examiner suggests. If anything is in fact 'conditional' in a 'conditional purchase offer', it is that the offer to purchase is conditioned on a seller being able to deliver the good specified by the potential buyer.

"A buyer who wishes to make a purchase accesses the central controller located at a remote server. The buyer will then create a conditional purchase offer ("CPO") by specifying the subject of the goods he wishes to purchase, a description of the goods he wishes to obtain, and any other conditions the buyer requires. For example, a typical CPO could specify that the buyer wants to purchase a block of four airline tickets from Chicago's O'Hare Airport to Dallas, Tex., the tickets must be from any of the six largest U.S. carriers, the buyer is willing to change planes no more than once so long as the

scheduled layover is less than two hours, and the buyer is willing to pay \$180 per ticket, plus any applicable taxes."

Col. 8, lines 44 - 56.

This offer might be considered 'conditional' because a seller may not be able to actually deliver the goods the buyer desires. *See, e.g., Col. 9, lines 17-22* ("If, after reviewing a particular CPO, a potential seller wishes to accept the CPO, the seller communicates his intent to the central controller. The central controller then ... authenticates the identity of the seller and his capacity to deliver the goods sought by the buyer."); *Col. 19, lines 14-21* ("At step 1000, the potential seller selects CPO 100 which he would like to bind ... Central controller 200 then timestamps seller response 110 and authenticates the identity of the seller, as well as verifying his probable capacity to deliver the goods."); *Col. 19, lines 36-37* ("If necessary, central controller 200 may verify that the seller can provide the specific good requested.").

If the seller cannot deliver the specific good requested, the buyer is not obligated to pay since the conditions of the CPO have not been met.

#### **Section 103(a) Rejections**

Claims 4, 6 - 11, 14 and 28 - 30 are rejected as being unpatentable over Walker in light of other references. Applicants respectfully traverse the Examiner's Section 103(a) rejection.

As stated above, all independent claims distinguish over Walker. For the reasons stated above, the dependent claims likewise distinguish over Walker and the other references. None of the references cited by the Examiner, alone or in combination, disclose or suggest the limitations of the independent claims discussed above.

**Conclusion**

For the foregoing reasons it is submitted that all of the claims are now in condition for allowance and the Examiner's early re-examination and reconsideration are respectfully requested.

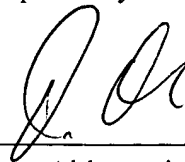
Alternatively, if there remains any question regarding the present application or any of the cited references, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is cordially requested to contact Dean Alderucci at telephone number 203-461-7337 or via electronic mail at Alderucci@WalkerDigital.com.

**Petition for Extension of Time to Respond**

Applicants hereby petition for a **three-month** extension of time with which to respond to the Office Action. Please charge \$465.00 for this petition to our Deposit Account No. 50-0271. Please charge any additional fees that may be required for this Response, or credit any overpayment to Deposit Account No. 50-0271.

If an extension of time is required, or if an additional extension of time is required in addition to that requested in a petition for an extension of time, please grant a petition for that extension of time which is required to make this Response timely, and please charge any fee for such extension to Deposit Account No. 50-0271.

Respectfully submitted,



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